



651 Commerce Drive
Roseville, CA 95678

phone (916) 781-3636
fax (916) 783-7693
web www.ncpa.com

NCPA Comments on Impact of Convergence Bidding on Interties Revised Straw Proposal

June 24, 2011

Northern California Power Agency (“NCPA”) is pleased to have the opportunity to submit these comments on CAISO’s Impact of Convergence Bidding on Interties Revised Straw Proposal, dated June 10, 2011. NCPA’s comments provided herein focus on the three main elements discussed as part of the Revised Straw Proposal.

Emergency Filing of Settlement Rule

While NCPA continues to support CAISO’s proposal to make an emergency filing under which the proposed settlement rule would be implemented if the 30-day rolling cumulative quantity of real-time imbalance energy offset attributable to balancing and offsetting virtual intertie positions and virtual internal positions exceeds a predefined threshold, NCPA believes that a threshold of \$20 million is too high. NCPA believes that the threshold should be set at \$15 million.

Removal of Convergence Bidding on Interties from the Current Design

In CAISO’s Revised Straw Proposal it proposes to not allow interties to be eligible nodes for convergence bidding under the current market design. CAISO claims that the benefits of continuing to allow convergence bidding at the interties does not outweigh the current impacts on real-time imbalance energy offset costs. This conclusion is also supported by CAISO’s Quarterly Report on Market Issues and Performance, dated May 24, 2011. In such report the CAISO’s Department of Market Monitoring (“DMM”) provided the following statement; “DMM’s assessment is that over this initial three month period convergence bidding has had little or no benefit in terms of helping to improve price convergence or the efficiency of day-ahead unit commitment decisions.” DMM also stated that price convergence did appear to improve in the month of March 2011, but “DMM does not attribute this improvement in price convergence to convergence bidding, but rather to operational improvements by the ISO as well as some minor software enhancements.”

Based on this information, and NCPA’s concern that convergence bidding will continue to result in increased real-time imbalance energy offset costs, NCPA supports CAISO’s proposal to remove interties as eligible nodes for convergence bidding until a comprehensive solution is identified.

HASP Import Reductions Included in Real-Time Imbalance Energy Offset Allocation

NCPA supports CAISO’s decision not to propose dramatic modifications to the real-time imbalance energy offset charge allocation methodology.